

Message Text

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PAGE 01 MANILA 05510 120639 Z

11

ACTION AID-59

INFO OCT-01 EA-11 ADP-00 EB-11 L-03 INR-10 IGA-02 AGR-20

COME-00 OMB-01 TRSE-00 IO-12 SPM-01 CIAE-00 SS-15

NSC-10 CIEP-02 RSR-01 RSC-01 /160 W
----- 044518

P R 120450 Z MAY 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5159

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA 5510

E O 11652:

TAGS: EAID, RP

SUBJ: US ECONOMIC ASSISTANCE PLEDGE AT CONSULTATIVE GROUP
FOR PHILIPPINES 1973 MEETING

REF: (A) MANILA 4975; (B) STATE 75778; (C) STAGE 88485

FOR AID ADMINISTRATOR AND ASSISTANT SECRETARY EA

1. AID' S PRESENTATION TO CONGRESS (CP) INDICATED A TOTAL PROGRAM FOR THE PHILIPPINES OF ABOUT \$68.5 MILLION (M) COMPOSED OF DEVELOPMENT GRANTS OF \$9.0 M; DEVELOPEMENTS LOANS \$20 M; PL-480- TITLE I \$33 M; AND PL-480 TITLE II \$6.5 M.

2. CP FOR FY 74 REPRESENTS ALMOST 10 PERCENT DECREASE FROM ASSISTANCE LEVEL OF \$75 MILLION PLEDGED AT TOKYO CG MEETING LAST YEAR. IT IS EVEN LOWER COMPARED TO ACTUAL PROGRAM IN FY73 WHICH WILL TOTAL OVER \$80 MILLION REGULAR PROGRAM EXPENDITURES, WITHOUT REFERENCE TO SPECIAL FLOOD RELATED ASSISTANCE. AT LEAST EQUAL WORRY IS FACT THAT CP IS HEAVILY WEIGHTED TOWARD USE OF PL-480 RESOURCES, WHICH WE UNDERSTAND ARE LIKELY TO BE SCARCE IN FY74 BECAUSE OF LOW APPROPRIATIONS AND COMMODITY SHORTAGES. THIS ACTUAL AMOUNT COULD BE FURTHER SHAPRPLY REDUCED BELOW PLANNING FIGURES WHEN PROGRAM ACTUALLY IMPLEMENTED.

CONFIDENTIAL

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PAGE 02 MANILA 05510 120639 Z

3. ANY SIGNIFICANT REDUCTION IN PLANNED OR ACTUAL ECONOMIC ASSISTANCE AT THIS TIME WOULD HAVE VERY TROUBLESOME IMPLICATIONS. AS INDICATED IN REF A, PHILIPPINE ECONOMIC DEVELOPMENT PROSPECTS ARE HIGHLY PROMISING AND IT IS MOST UNPROFITABLE TIME TO REDUCE LEVEL OF SUPPORT WHEN SUCH SUPPORT FROM CG SOURCES CAN BE DECISIVE IN TRANSLATING THE PROMISE INTO REALITY. FURTHERMORE, PHIL ECONOMY CONTINUES FACE SERIOUS DEBT SERVICE AND OTHER PROBLEMS, REQUIRING EXTERNAL FINANCIAL SUPPORT. WORLD BANK AND IMF REPORTS, WE UNDERSTAND, WILL EXPLAIN THIS POSITION AS BASIS FOR DELIBERATIONS AT CG MEETING.

4. BEYOND PRAGMATIC CONSIDERATIONS RELATING TO STATE OF PHIL ECONOMY, SIGNIFICANT REDUCTION IN ECONOMIC ASSISTANCE WOULD HAVE ADVERSE IMPACT ON BROAD U. S. INTERESTS IN PHILIPPINES. WE ARE IN MIDST OF ASSESSING OUR INTERESTS AND OBJECTIVES, POLICIES AND APPROPRIATE COURSES OF ACTION AS PART OF PARA EXERCISE. REF B SETS FORTH STRONG US POLICY INTERESTS IN ECONOMIC FIELD IN AN EXPANDING PHILIPPINE ECONOMY AND PROGRESS TOWARDS A MORE EQUITABLE DISTRIBUTION OF WEALTH. TO FURTHER THESE INTERESTS, WE WILL SEEK TO MAINTAIN AN ECONOMIC GROWTH RATE OF 7 PERCENT ANNUALLY, PROMOTE POPULATION/ FAMILY PLANNING AND GIVE STRONG SUPPORT TO CG MECHANISM AS A MEANS OF PROMOTING BROADER MULTILATERAL SUPPORT FOR PHILIPPINE DEVELOPMENT. OUR PRIMARY POLICY TOOL IN ACHIEVING THESE OBJECTIVES IS OUR ECONOMIC ASSISTANCE PROGRAM AS EXPLAINED AND COMMITTED AT CG MEETING.

5. IMPLICATIONS OF REDUCTION WOULD ALSO EXTEND TO OUR POLITICAL AND SECURITY INTERESTS IN VIEW OF LIKELY GOP INTERPRETATION OF OUR MOVEMENT BACK FROM FULL PARTICIPATION IN ECONOMIC ASSISTANCE EFFORT AS SIGNIFICANT INDICATOR OF POLICY SHIFT. OUR ROLE VIS-A-VIS JAPAN SHOULD ALSO BE CAREFULLY WEIGHED. WE EXPECT JAPAN TO MATCH ITS 1972 PLEDGE OF \$75 MILLION AND THUS DEMONSTRATE CONTINUED STRONG SUPPORT FOR PHIL ECONOMIC DEVELOPMENT AND FOR CURRENT GOP LEADERSHIP. WE HAVE BROUGHT JAPAN TO THIS LEVEL IN GREAT PART BY THE EXAMPLE WE SET AND LEVERAGE THIS PROVIDES IN CG CONTEXT. THEREFORE, WE BELIEVE US SHOULD AT LEAST MAINTAIN PARITY WITH JAPANESE IN ECONOMIC ASSISTANCE FIELD, NOT ONLY IN VIEW OF FOREGOING BROAD POLICY CONSIDERATIONS BUT ALSO BECAUSE IMPORTANT ECONOMIC AND COMMERCIAL INTERESTS ARE SERVED BY CONTINUING OFFICIAL ASSISTANCE AT ROUGHLY UNDIMINISHED LEVELS DURING PERIOD WHEN PHIL ECONOMY IS ENTERING PROMISING DEVELOPMENT PHASE.

CONFIDENTIAL

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PAGE 03 MANILA 05510 120639 Z

6. IN LIGHT OF THESE CONDITIONS, WE BELIEVE MINIMUM PROPOSAL FOR \$75 MILLION ASSISTANCE PACKAGE CONTAINED REF A IS SENSIBLE AND CLEARLY IN OVERALL US FOREIGN POLICY INTEREST. WE REQUEST WASHINGTON AGENCIES AT MAY 16 MEETING URGENTLY ADDRESS OPTIONS FOR ASSURING PLEDGE OF FY74 ECONOMIC ASSISTANCE OF THIS AMOUNT,

MAINTAINING LEVEL OF SUPPORT PLEDGED TO PHILIPPINES FOR FY73, IN CONSIDERATION OF WIDE RANGE OF US INTERESTS IN PHILIPPINES WHICH WILL BE AFFECTED BY OUTCOME. FURTHERMORE, BECAUSE PQ EXPECTED DIFFICULTIES IN MAINTAINING INDICATED PL-480 LEVEL, WE URGE INTER-AGENCY GROUP CHANGE PROGRAM MIX TO THAT SUGGESTED REF A, WITH ITS LOWER DEPENDENCE ON PL-480.

7. EC/ COM AND USAID JOINED IN PREPARATION OF THIS MISSION MESSAGE.
HAMILTON

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